

Buy EUR 14.00 (EUR 17.50) Price EUR 10.48 Upside 33.6 %	Value Indicators: EUR DCF: 14.00 FCF-Value Potential 19e: 12.10	Share data: Bloomberg: SYT GR Reuters: SYTG ISIN: DE0005178008	Description: Soft- and hardware for data exchange in industrial plants and automotive electronics
	Market Snapshot: EUR m Market cap: 72.9 No. of shares (m): 7.0 EV: 80.5 Freefloat MC: 54.0 Ø Trad. Vol. (30d): 146.20 th	Shareholders: Freefloat 74.0 % Trier Asset Mgmt 26.0 %	Risk Profile (WRe): 2017e Beta: 1.3 Price / Book: 1.4 x Equity Ratio: 63 % Net Fin. Debt / EBITDA: 0.5 x Net Debt / EBITDA: 0.7 x

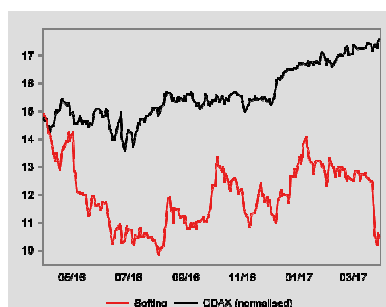
Despite a weak year, the market trends remain intact; estimates and PT lowered

Softing's Q4 figures came in lower than anticipated (see next page for figures). This is mainly reflected in the top line and was due to an unusual Q4 weakness in the **Industrial Automation** segment. We attribute this weakness to the subsidiary OLDI (acquired mid-2014) which serves Rockwell as a development partner. As a result, 2016 revenues in the US decreased by 4% yoy. While this had a negative impact for the operative development of the group, Softing managed to reduce its purchase price liability by approx. EUR 4m. Thus, our bottom-line estimates were achieved. The **Automotive** segment business was burdened by the completion of two extensive core development projects. As a result, developers and automotive experts could not generate revenues in customer projects. As the corresponding higher R&D-related costs have not been fully capitalised, the bottom line was negatively impacted too. However, these R&D developments represent preparation for further growth and should be monetised in the upcoming periods. Despite a weak 2016, the long-term growth drivers of the two segments remain intact and Softing is a way to play issues such as IoT or the ongoing automotive electrification.

- In **Industrial Automation**, Softing's components and tools address OEMs in factory automation and the processing industry. In these plants, sensors, steering devices and actuators exchange data on the basis of defined protocols. Processing plants (e.g. a refinery) often have tens of thousands of data points which communicate with each other and/or with control centres. As the process industry-related business is expected to recover in 2017, this segment should return to growth and will be supported by double-digit growth of the IT Networks business driven by technologically leading products such as CAT 8 cable testers.
- In **Automotive Electronics** the communication solutions all deal with the programming and diagnostics of electronic control units (ECUs) in passenger cars, trucks, agricultural and recreational vehicles. Mid- to upper-class passenger cars can contain 80 or even 100 ECUs and five networks (for comparison, most offices have only one). Softing's solutions cover a large part of a vehicle's life cycle including development, prototype testing, measurement, production process and after-sales. As none of Softing's products are installed in a vehicle itself, product recall risks are avoided.

Given intact structural growth drivers, the expectation of a return to growth in 2017 and upside to our PT of EUR 14, the Buy rating is confirmed.

Changes in Estimates:							Comment on Changes:	
FY End: 31.12. in EUR m	2017e (old)	+ / -	2018e (old)	+ / -	2019e (old)	+ / -	Estimates are being lowered. As the model is rolled forward, the PT adjustment is not as profound as the estimate adjustment. While sentiment is negatively impacted by the weaker operative development during Q4, recent insider buying should provide some comfort regarding the operative development in 2017.	
Sales	92.5	-9.2 %	99.0	-10.1 %	n.a.	n.m.		
EBITDA	13.3	-14.0 %	14.7	-17.5 %	n.a.	n.m.		
EBIT	8.1	-23.0 %	9.8	-26.3 %	n.a.	n.m.		
EPS	0.81	-22.2 %	0.98	-26.5 %	n.a.	n.m.		



Rel. Performance vs CDAX:	
1 month:	-19.2 %
6 months:	-29.2 %
Year to date:	-24.6 %
Trailing 12 months:	-46.1 %

Company events:	
02.05.17	Q1
03.05.17	AGM
14.08.17	Q2
02.11.17	Q3

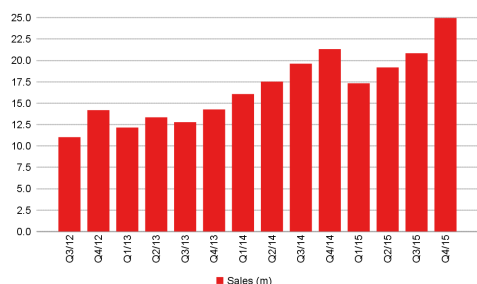
FY End: 31.12. in EUR m	CAGR (16-19e)	2013	2014	2015	2016	2017e	2018e	2019e
Sales	5.0 %	52.6	74.5	82.3	80.4	84.0	89.0	93.0
Change Sales yoy		6.4 %	41.8 %	10.4 %	-2.3 %	4.4 %	6.0 %	4.5 %
Gross profit margin		78.7 %	68.5 %	64.7 %	66.6 %	68.8 %	68.9 %	68.6 %
EBITDA	2.7 %	9.4	10.1	10.8	12.3	11.4	12.1	13.3
Margin		17.8 %	13.5 %	13.1 %	15.2 %	13.6 %	13.6 %	14.3 %
EBIT	5.3 %	6.2	5.9	5.5	7.2	6.2	7.2	8.4
Margin		11.8 %	7.9 %	6.6 %	8.9 %	7.4 %	8.1 %	9.0 %
EBIT adj.	11.6 %	4.6	6.2	6.7	6.6	7.0	8.0	9.2
Net income	0.9 %	4.3	3.8	4.5	5.7	4.4	5.0	5.9
EPS	0.8 %	0.69	0.58	0.65	0.82	0.63	0.72	0.84
DPS	14.5 %	0.35	0.25	0.15	0.20	0.22	0.25	0.30
Dividend Yield		3.4 %	1.6 %	1.2 %	1.7 %	2.1 %	2.4 %	2.9 %
FCFPS		0.14	0.15	0.61	0.56	0.32	0.48	0.58
FCF / Market cap		1.4 %	1.0 %	4.8 %	4.8 %	3.1 %	4.6 %	5.5 %
EV / Sales		1.0 x	1.6 x	1.2 x	1.1 x	1.0 x	0.9 x	0.8 x
EV / EBITDA		5.7 x	11.8 x	9.4 x	7.3 x	7.0 x	6.5 x	5.8 x
EV / EBIT		8.7 x	20.2 x	18.6 x	12.6 x	12.9 x	10.9 x	9.1 x
EV / EBIT adj.		11.7 x	19.2 x	15.1 x	13.7 x	11.4 x	9.9 x	8.4 x
P / E		15.0 x	26.3 x	19.4 x	14.3 x	16.6 x	14.6 x	12.5 x
FCF Yield Potential		6.8 %	3.6 %	6.6 %	7.5 %	6.7 %	7.2 %	8.5 %
Net Debt		-11.2	18.3	13.9	8.3	7.5	5.9	3.6
ROCE (NOPAT)		32.4 %	11.4 %	8.4 %	10.5 %	7.7 %	8.6 %	9.7 %
Guidance:	2017: revenues > EUR 80m; EBIT ca. EUR 6m							

Stated Figures Q4/2016:

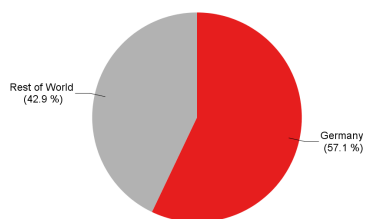
in EUR m	Q4/16	Q4/16e	Δ WRe	Q4/15	yoy	2016	2016e	2015	yoy
Sales	21.5	26.0	-17.2%	25.0	-13.8%	80.4	54.0	82.3	-2.3%
EBITDA	5.8	5.5	5.2%	3.8	53.4%	12.3	7.6	10.8	14.0%
<i>margin</i>	26.9%	21.2%		15.1%		15.2%	9.7%	13.1%	
EBIT	4.7	4.3	8.9%	2.4	98.1%	7.2	6.0	5.5	30.9%
<i>margin</i>	21.8%	16.5%		9.5%		8.9%	7.7%	6.6%	
Industrial	15.5	16.2	-4.4%	16.3	-4.7%	57.6		58.7	-1.8%
Automotive	6.0	4.4	37.1%	8.7	-30.7%	22.8		23.6	-3.4%

Comment on Figures:

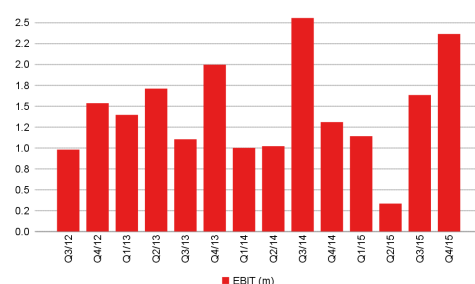
- The top line miss was mainly due to the **Industrial Automation** segment and weakness of the US subsidiary OLDI.
- **Automotive Electronics** had good business with customers from the heavy duty diesel industry. However, the sale of a high-margin product for an auto manufacturer in the previous year could not be compensated for.
- Operative EBIT (i.e. adjusted for R&D capitalisation of EUR 4.5m in 2016 as well as the corresponding amortisation) declined by EUR 0.4m to EUR 6.7m. We expect a lower capitalisation in 2017.

Sales development
in EUR m


Source: Company

Sales by regions
2016; in %


Source: Company

EBIT development
in EUR m


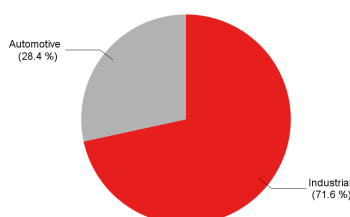
Source: Company

Company Background

- Softing has the necessary expertise on information exchange between various devices, sensors, plant and software solutions in automated processes. The business activity comprises two segments.
- Industrial Automation: hardware and software solutions for the exchange of information in all kinds of production including montage lines, chemical plants, oil and gas extraction or refineries.
- Automotive Electronics: The solutions allow engineers and workshop mechanics to test automotive electronics in the development phase, production or repair and to recognise errors through data evaluation.
- The solutions in the automotive segment are not for application within the vehicles and therefore do not pose a product re-call risk for the company.
- Softing focuses on established standards and so covers ca. 70% of the market.

Competitive Quality

- World market leader in tools to recognise errors in production plant (so called field bus diagnostics)
- European market leader in the networking of various production plant elements as well as in business-related software (so-called OPC products).
- World market leader in components for the exchange of information in gas and oil plants. Some >50% of all devices registered worldwide that are used in these plants include components from Softing.
- Through participation in international committees that set standards for the exchange of information, a short time-to-market is achieved.
- The high complexity of Softing's business activity is the single most important barrier to market entry for potential competitors.

Sales by segments
2016; in %


Source: Company

Source: Company

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	84.0	89.0	93.0	96.7	100.4	103.9	107.4	110.7	114.0	117.1	120.1	123.1	125.5	2.0 %
Sales change	4.4 %	6.0 %	4.5 %	4.0 %	3.8 %	3.5 %	3.3 %	3.1 %	2.9 %	2.8 %	2.6 %	2.4 %	2.0 %	
EBIT	6.2	7.2	8.4	8.7	9.0	9.4	9.7	10.0	10.3	10.5	10.8	11.1	11.3	9.0 %
EBIT-margin	7.4 %	8.1 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	9.0 %	
Tax rate (EBT)	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	7.9
NOPAT	4.4	5.0	5.9	6.1	6.3	6.5	6.8	7.0	7.2	7.4	7.6	7.8	7.9	
Depreciation	5.2	4.9	4.9	6.3	6.5	6.8	7.0	7.2	7.4	7.6	7.8	8.0	8.2	6.5 %
in % of Sales	6.2 %	5.5 %	5.3 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	
Changes in provisions	0.1	0.2	0.0	-0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5
Change in Liquidity from														
- Working Capital	1.8	1.1	1.0	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6	0.5	8.4
- Capex	5.6	5.7	5.7	6.5	6.7	7.0	7.2	7.4	7.6	7.8	8.0	8.2	8.4	
Capex in % of Sales	6.7 %	6.4 %	6.1 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	6.7 %	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	2.2	3.3	4.0	4.7	5.4	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.2	8
PV of FCF	2.2	3.1	3.5	3.8	4.1	4.0	3.8	3.7	3.6	3.4	3.3	3.2	3.1	
share of PVs	8.34 %			33.96 %										57.70 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	16.00 %	Financial Strength	1.25
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.25
Market return	7.00 %	Cyclicality	1.25
Risk free rate	1.50 %	Transparency	1.25
		Others	1.25
WACC	7.37 %	Beta	1.25

Valuation (m)

Present values 2029e	45		
Terminal Value	61		
Financial liabilities	17		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	11	No. of shares (m)	7.0
Equity Value	98	Value per share (EUR)	14.05

Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.47	8.4 %	10.84	11.06	11.29	11.54	11.81	12.10	12.42	1.47	8.4 %	9.08	9.90	10.72	11.54	12.36	13.18	14.00
1.36	7.9 %	11.82	12.09	12.38	12.69	13.02	13.39	13.80	1.36	7.9 %	10.03	10.91	11.80	12.69	13.57	14.46	15.35
1.30	7.6 %	12.37	12.67	12.99	13.34	13.72	14.13	14.59	1.30	7.6 %	10.56	11.49	12.41	13.34	14.26	15.19	16.11
1.25	7.4 %	12.97	13.30	13.66	14.05	14.48	14.95	15.48	1.25	7.4 %	11.15	12.12	13.08	14.05	15.02	15.98	16.95
1.20	7.1 %	13.62	13.99	14.39	14.83	15.32	15.86	16.46	1.20	7.1 %	11.79	12.81	13.82	14.83	15.84	16.86	17.87
1.14	6.9 %	14.33	14.74	15.19	15.70	16.25	16.87	17.56	1.14	6.9 %	12.51	13.57	14.63	15.70	16.76	17.82	18.89
1.03	6.4 %	15.95	16.48	17.07	17.72	18.46	19.28	20.23	1.03	6.4 %	14.18	15.36	16.54	17.72	18.91	20.09	21.27

- The cyclical components of the business activity and the low liquidity of the share raise capital costs.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2013	2014	2015	2016	2017e	2018e	2019e	
Net Income before minorities	4.3	3.8	4.5	5.7	4.4	5.0	5.9	
+ Depreciation + Amortisation	3.2	4.2	5.3	5.1	5.2	4.9	4.9	
- Net Interest Income	-0.1	-0.3	-0.3	-0.2	0.0	0.0	0.0	
- Maintenance Capex	3.9	4.0	3.3	4.2	4.2	4.3	4.3	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	3.7	4.3	6.7	6.8	5.4	5.7	6.5	
Free Cash Flow Yield Potential	6.8 %	3.6 %	6.6 %	7.5 %	6.7 %	7.2 %	8.5 %	
WACC	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	7.37 %	
= Enterprise Value (EV)	53.7	119.1	101.6	90.0	80.5	78.9	76.5	
= Fair Enterprise Value	49.6	58.5	90.8	92.2	72.6	76.8	87.8	
- Net Debt (Cash)	6.1	6.1	6.1	6.1	5.2	3.4	1.1	
- Pension Liabilities	2.2	2.2	2.2	2.2	2.3	2.5	2.5	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Fair Market Capitalisation	41.3	50.2	82.5	83.9	65.1	70.8	84.2	
No. of shares (total) (m)	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
= Fair value per share (EUR)	5.93	7.22	11.86	12.05	9.35	10.18	12.10	
premium (-) / discount (+) in %					-10.8 %	-2.9 %	15.5 %	
Sensitivity Fair value per Share (EUR)								
WACC	10.37 %	3.87	4.79	8.08	8.22	6.33	6.99	8.45
	9.37 %	4.41	5.42	9.07	9.23	7.12	7.82	9.41
	8.37 %	5.08	6.21	10.30	10.47	8.10	8.86	10.59
	7.37 %	5.93	7.22	11.86	12.05	9.35	10.18	12.10
	6.37 %	7.05	8.54	13.91	14.13	10.99	11.91	14.08
	5.37 %	8.58	10.35	16.72	16.98	13.23	14.28	16.80
	4.37 %	10.82	12.99	20.82	21.14	16.51	17.75	20.76

■ Capitalised own work is a significant element of the capex.

Valuation							
	2013	2014	2015	2016	2017e	2018e	2019e
Price / Book	2.5 x	2.7 x	2.1 x	1.7 x	1.4 x	1.4 x	1.3 x
Book value per share ex intangibles	2.55	-0.57	0.00	0.55	0.95	1.42	2.01
EV / Sales	1.0 x	1.6 x	1.2 x	1.1 x	1.0 x	0.9 x	0.8 x
EV / EBITDA	5.7 x	11.8 x	9.4 x	7.3 x	7.0 x	6.5 x	5.8 x
EV / EBIT	8.7 x	20.2 x	18.6 x	12.6 x	12.9 x	10.9 x	9.1 x
EV / EBIT adj.*	11.7 x	19.2 x	15.1 x	13.7 x	11.4 x	9.9 x	8.4 x
P / FCF	72.4 x	99.3 x	20.8 x	20.9 x	32.7 x	21.9 x	18.0 x
P / E	15.0 x	26.3 x	19.4 x	14.3 x	16.6 x	14.6 x	12.5 x
P / E adj.*	15.0 x	26.3 x	19.4 x	14.3 x	16.6 x	14.6 x	12.5 x
Dividend Yield	3.4 %	1.6 %	1.2 %	1.7 %	2.1 %	2.4 %	2.9 %
Free Cash Flow Yield Potential	6.8 %	3.6 %	6.6 %	7.5 %	6.7 %	7.2 %	8.5 %
*Adjustments made for: -							

Company Specific Items							
	2013	2014	2015	2016	2017e	2018e	2019e
order entries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
book-to-bill	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
order book	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Consolidated profit & loss

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	52.6	74.5	82.3	80.4	84.0	89.0	93.0
Change Sales yoy	6.4 %	41.8 %	10.4 %	-2.3 %	4.4 %	6.0 %	4.5 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	4.0	3.9	2.8	4.5	3.2	3.2	3.2
Total Sales	56.5	78.5	85.1	84.9	87.2	92.2	96.2
Material expenses	15.2	27.4	31.9	31.4	29.4	30.9	32.4
Gross profit	41.3	51.1	53.2	53.6	57.8	61.3	63.8
Gross profit margin	78.7 %	68.5 %	64.7 %	66.6 %	68.8 %	68.9 %	68.6 %
Personnel expenses	25.8	32.1	33.6	35.1	36.0	38.0	39.0
Other operating income	0.7	0.8	2.8	5.3	0.8	0.8	0.8
Other operating expenses	6.8	9.7	11.7	11.5	11.2	12.0	12.4
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	9.4	10.1	10.8	12.3	11.4	12.1	13.3
Margin	17.8 %	13.5 %	13.1 %	15.2 %	13.6 %	13.6 %	14.3 %
Depreciation of fixed assets	0.5	0.6	0.8	0.8	0.7	0.4	0.4
EBITA	8.9	9.5	10.0	11.4	10.7	11.7	12.9
Amortisation of intangible assets	2.7	3.7	4.5	4.3	4.5	4.5	4.5
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.2	5.9	5.5	7.2	6.2	7.2	8.4
Margin	11.8 %	7.9 %	6.6 %	8.9 %	7.4 %	8.1 %	9.0 %
EBIT adj.	4.6	6.2	6.7	6.6	7.0	8.0	9.2
Interest income	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.2	0.4	0.3	0.2	0.1	0.1	0.1
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	6.2	5.6	5.2	7.0	6.2	7.2	8.4
Margin	11.7 %	7.5 %	6.3 %	8.7 %	7.4 %	8.1 %	9.0 %
Total taxes	1.9	1.8	0.7	1.3	1.9	2.2	2.5
Net income from continuing operations	4.3	3.8	4.5	5.7	4.4	5.0	5.9
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	4.3	3.8	4.5	5.7	4.4	5.0	5.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.3	3.8	4.5	5.7	4.4	5.0	5.9
Margin	8.2 %	5.1 %	5.4 %	7.1 %	5.2 %	5.7 %	6.3 %
Number of shares, average	6.3	6.6	6.9	7.0	7.0	7.0	7.0
EPS	0.69	0.58	0.65	0.82	0.63	0.72	0.84
EPS adj.	0.69	0.58	0.65	0.82	0.63	0.72	0.84

*Adjustments made for:

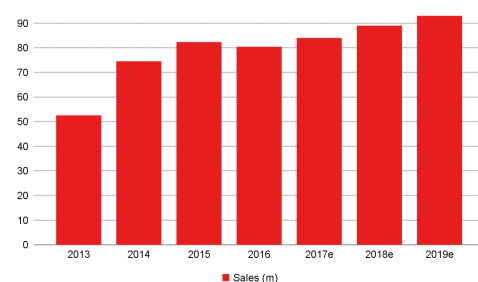
Guidance: 2017: revenues > EUR 80m; EBIT ca. EUR 6m

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Total Operating Costs / Sales	89.7 %	91.7 %	90.3 %	90.4 %	90.2 %	90.0 %	89.2 %
Operating Leverage	4.1 x	-0.1 x	-0.7 x	-13.5 x	-2.9 x	2.6 x	3.6 x
EBITDA / Interest expenses	45.7 x	23.3 x	33.3 x	49.4 x	114.3 x	121.0 x	132.7 x
Tax rate (EBT)	30.2 %	32.3 %	14.0 %	18.1 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	51.1 %	43.4 %	23.2 %	24.4 %	35.1 %	34.5 %	35.6 %
Sales per Employee	155,936	181,345	191,744	178,720	184,615	195,604	204,396

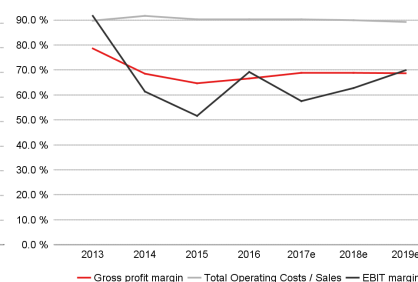
Sales, EBITDA

in EUR m

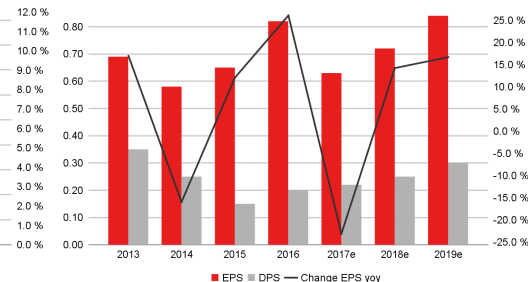


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

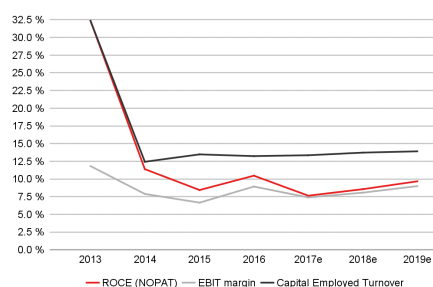
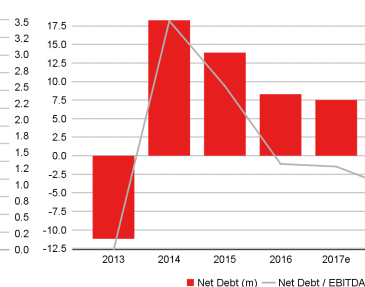
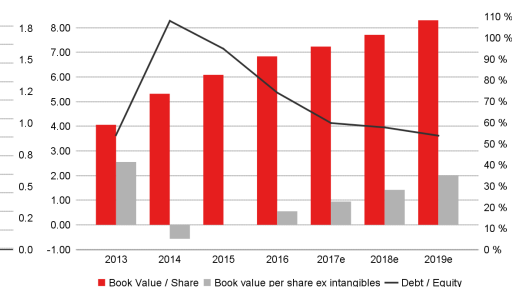
Source: Warburg Research

Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Assets							
Goodwill and other intangible assets	9.7	41.0	42.4	43.8	43.8	43.8	43.8
thereof other intangible assets	0.5	22.2	23.1	22.4	21.3	20.3	19.2
thereof Goodwill	2.4	14.5	15.2	15.5	15.5	15.5	15.5
Property, plant and equipment	1.4	1.9	2.4	2.3	2.7	3.5	4.3
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	11.1	42.9	44.7	46.0	46.4	47.2	48.0
Inventories	4.7	8.7	9.3	9.2	9.5	10.1	10.6
Accounts receivable	10.0	14.2	15.4	12.6	13.3	14.1	14.8
Liquid assets	12.9	8.8	9.2	10.9	7.1	8.9	11.2
Other short-term assets	1.5	2.4	3.8	4.2	4.2	4.2	4.2
Current assets	29.1	34.1	37.7	36.9	34.1	37.3	40.8
Total Assets	40.2	77.0	82.5	82.9	80.5	84.6	88.9
Liabilities and shareholders' equity							
Subscribed capital	6.4	7.0	7.0	7.0	7.0	7.0	7.0
Capital reserve	4.4	12.3	12.3	12.3	12.3	12.3	12.3
Retained earnings	15.6	18.0	23.1	28.4	32.7	37.8	43.6
Other equity components	-0.3	-0.2	0.0	0.0	-1.6	-3.3	-5.1
Shareholders' equity	26.2	37.0	42.4	47.6	50.4	53.7	57.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	26.1	37.0	42.3	47.6	50.3	53.6	57.8
Provisions	2.3	3.9	4.1	4.7	4.9	5.4	5.4
thereof provisions for pensions and similar obligations	1.5	2.2	1.9	2.2	2.3	2.5	2.5
Financial liabilities (total)	0.2	24.8	21.2	16.9	12.3	12.3	12.3
thereof short-term financial liabilities	0.0	7.0	5.5	10.3	10.3	10.3	10.3
Accounts payable	2.5	4.2	6.3	5.9	5.1	5.4	5.6
Other liabilities	9.0	7.1	8.5	7.8	7.8	7.8	7.8
Liabilities	14.1	40.0	40.1	35.3	30.2	31.0	31.2
Total liabilities and shareholders' equity	40.2	77.0	82.5	82.9	80.5	84.6	88.9

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	3.9 x	3.6 x	4.0 x	4.4 x	4.1 x	4.0 x	3.9 x
Capital Employed Turnover	3.5 x	1.3 x	1.5 x	1.4 x	1.5 x	1.5 x	1.5 x
ROA	38.9 %	8.9 %	10.0 %	12.4 %	9.4 %	10.7 %	12.2 %
Return on Capital							
ROCE (NOPAT)	32.4 %	11.4 %	8.4 %	10.5 %	7.7 %	8.6 %	9.7 %
ROE	17.9 %	12.0 %	11.3 %	12.7 %	8.9 %	9.7 %	10.5 %
Adj. ROE	17.9 %	12.0 %	11.3 %	12.7 %	8.9 %	9.7 %	10.5 %
Balance sheet quality							
Net Debt	-11.2	18.3	13.9	8.3	7.5	5.9	3.6
Net Financial Debt	-12.7	16.1	12.0	6.1	5.2	3.4	1.1
Net Gearing	-42.9 %	49.4 %	32.8 %	17.4 %	14.9 %	11.0 %	6.3 %
Net Fin. Debt / EBITDA	n.a.	159.4 %	112.0 %	49.4 %	45.6 %	28.2 %	8.4 %
Book Value / Share	4.1	5.3	6.1	6.8	7.2	7.7	8.3
Book value per share ex intangibles	2.6	-0.6	0.0	0.6	0.9	1.4	2.0

ROCE Development

Net debt
in EUR m

Book Value per Share
in EUR


Source: Warburg Research

Source: Warburg Research

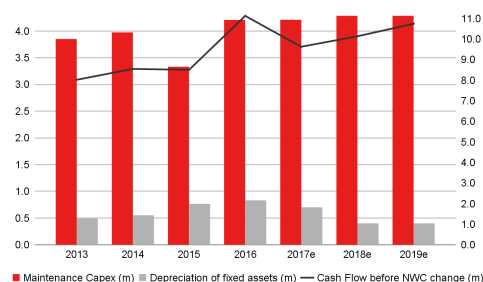
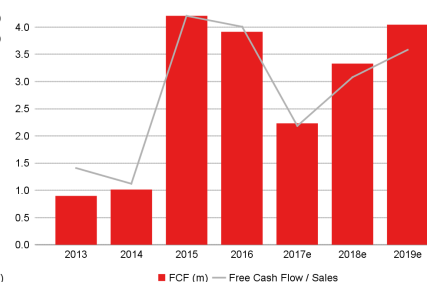
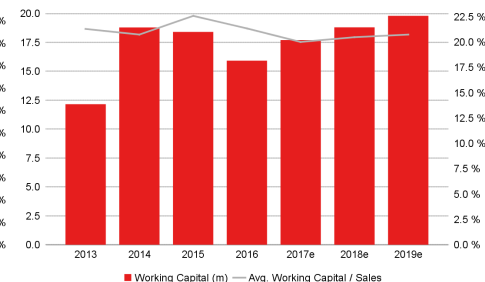
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Net income	4.3	3.8	4.5	5.7	4.4	5.0	5.9
Depreciation of fixed assets	0.5	0.6	0.8	0.8	0.7	0.4	0.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.7	3.7	4.5	4.3	4.5	4.5	4.5
Increase/decrease in long-term provisions	-0.1	0.0	0.0	0.0	0.1	0.2	0.0
Other non-cash income and expenses	0.7	0.5	-1.3	0.3	0.0	0.0	0.0
Cash Flow before NWC change	8.0	8.5	8.5	11.1	9.6	10.1	10.8
Increase / decrease in inventory	-1.3	-1.6	-0.6	0.1	-0.3	-0.6	-0.5
Increase / decrease in accounts receivable	-0.2	-0.7	-1.2	2.8	-0.7	-0.8	-0.7
Increase / decrease in accounts payable	-0.4	-0.9	1.7	-0.8	-0.8	0.3	0.2
Increase / decrease in other working capital positions	-0.1	0.9	0.2	-3.7	0.0	0.0	0.0
Increase / decrease in working capital (total)	-2.0	-2.2	0.1	-1.6	-1.8	-1.1	-1.0
Net cash provided by operating activities [1]	6.0	6.3	8.6	9.5	7.8	9.0	9.8
Investments in intangible assets	-4.6	-3.9	-2.8	-4.5	-4.5	-4.5	-4.5
Investments in property, plant and equipment	-0.5	-1.4	-1.7	-1.1	-1.1	-1.2	-1.2
Payments for acquisitions	0.0	-21.9	-1.3	-0.9	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.2	0.8	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-4.9	-26.4	-5.8	-6.5	-5.6	-5.7	-5.7
Change in financial liabilities	0.0	10.6	-1.7	-0.2	-4.6	0.0	0.0
Dividends paid	-1.7	-1.3	-1.7	-1.0	-1.4	-1.5	-1.7
Purchase of own shares	1.3	0.5	1.1	0.0	0.0	0.0	0.0
Capital measures	0.0	7.5	0.0	0.0	0.0	0.0	0.0
Other	-0.1	-0.3	-0.2	-0.2	0.0	0.0	0.0
Net cash provided by financing activities [3]	-0.5	17.0	-2.6	-1.4	-6.0	-1.5	-1.7
Change in liquid funds [1]+[2]+[3]	0.6	-3.1	0.3	1.6	-3.8	1.8	2.3
Effects of exchange-rate changes on cash	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Cash and cash equivalent at end of period	12.1	9.1	9.2	10.9	7.1	8.9	11.2

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Cash Flow							
FCF	0.9	1.0	4.2	3.9	2.2	3.3	4.0
Free Cash Flow / Sales	1.7 %	1.4 %	5.1 %	4.9 %	2.7 %	3.7 %	4.3 %
Free Cash Flow Potential	3.7	4.3	6.7	6.8	5.4	5.7	6.5
Free Cash Flow / Net Profit	20.8 %	26.7 %	93.8 %	68.6 %	51.2 %	66.0 %	69.1 %
Interest Received / Avg. Cash	1.2 %	1.5 %	0.6 %	0.6 %	1.1 %	1.2 %	1.0 %
Interest Paid / Avg. Debt	56.9 %	3.5 %	1.4 %	1.3 %	0.7 %	0.8 %	0.8 %
Management of Funds							
Investment ratio	9.8 %	7.1 %	5.4 %	7.0 %	6.7 %	6.4 %	6.1 %
Maint. Capex / Sales	7.3 %	5.3 %	4.0 %	5.2 %	5.0 %	4.8 %	4.6 %
Capex / Dep	162.5 %	125.8 %	84.1 %	110.0 %	107.9 %	116.6 %	116.6 %
Avg. Working Capital / Sales	21.3 %	20.8 %	22.6 %	21.3 %	20.0 %	20.5 %	20.8 %
Trade Debtors / Trade Creditors	396.0 %	339.9 %	244.0 %	214.0 %	260.8 %	261.1 %	264.3 %
Inventory Turnover	3.3 x	3.1 x	3.4 x	3.4 x	3.1 x	3.1 x	3.1 x
Receivables collection period (days)	70	70	68	57	58	58	58
Payables payment period (days)	61	56	72	68	63	64	63
Cash conversion cycle (Days)	73	83	54	56	73	74	75

CAPEX and Cash Flow
in EUR m

Free Cash Flow Generation

Working Capital


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Softing	5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005178008.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	122	62
Hold	66	34
Sell	8	4
Rating suspended	1	1
Total	197	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	27	71
Hold	8	21
Sell	2	5
Rating suspended	1	3
Total	38	100

PRICE AND RATING HISTORY SOFTING AS OF 30.03.2017


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Henrik Paganetty +49 40 309537-185
Telecommunications hpaganetty@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +49 40 3282-2634
Head of Sales Trading omerkel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3262-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3262-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

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For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com